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Intellectual Ammunition

On State and Local Issues

Potshots

You should believe all you read in the newspapers, as this makes them more interesting.
—Dame Rose Macaulay

If something is not worth doing at all, it's not worth doing well.
—Warren Buffett

Another flaw in the human character is that everybody wants to build and nobody wants to do maintenance.
—Kurt Vonnegut

A fanatic is one who can't change his mind and won't change the subject.
—Winston Churchill

Adults are obsolete children.
—Dr. Seuss

Most people are willing to pay more to be amused than to be educated.
—Robert C. Savage

There is little room left for wisdom when one is full of judgment.
—Malcolm Hein

Committee: A group of men who individually can do nothing but as a group decide nothing can be done.
—Fred Allen

Sympathizers are spectators; empathizers wear game shoes.
—John Eyberg

Field of Fantasies

by Robert Baade and Alan Sanderson

Even before the strike-delayed 1995 baseball season had begun and hockey had lost a third of its regular season, another Chicago professional sports franchise was threatening to go on strike: The Bears announced plans to abandon Soldier Field and perhaps even the city, state, and region.

Sports team owners "strike" against their current cities and/or playing facilities in an effort to redistribute more revenues from their communities to themselves. Old stadiums are being replaced not because they are physically obsolete but because, from the perspective of owners, they are economically obsolete, even though some are less than 25 years old. Owners' demands for new facilities, replete with luxury boxes and stadium clubs, invariably have negative financial consequences for the taxpaying public.

Professional sports are not a catalyst for economic development.

To placate fans, who are asked to pay higher ticket and concession prices in new stadiums, owners cite the need to remain competitive on the field. To placate taxpayers, who are asked to pay higher taxes directly or indirectly, owners and their supporters promise economic development and increased city revenues.

The reality, however, is that professional sports in general, and football in particular, are not a catalyst for economic development. A decade of research on the experiences of approximately fifty cities over the past 35 years tells us that communities are not likely to benefit perceptibly from stadium construction or franchise relocation.

When investors stand in long lines to purchase sports franchises, but then expect others to provide a palace in which their team can play, local government officials and taxpayers should recognize the clear signals that market forces are sending. The city and suburbs should prepare to defend themselves against the economic equivalent of the "Hail Mary" pass.

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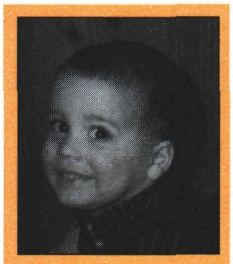

Joey Walsh *(1964)*
development director

News from the Heartland

by Joseph L. Bast
Publisher

Stadium subsidies don't pay

Across America, cities large and small are being asked to subsidize the construction of new stadiums for local professional sports franchises. Proponents claim stadium construction produces immediate economic benefits through the so-called "multiplier effect," as well as long-term benefits as new bars, restaurants, and shops spring up to serve sports fans.

It's a seductively simple argument, but one that, according to economists Robert Baade and Alan Sanderson, is simply wrong.

"Professional sports . . . are not a catalyst for economic development," write Baade and Sanderson, the country's leading experts on sports economics and authors of the cover article of this issue of *IA*. "A decade of research on the experiences of approximately fifty cities over the past 35 years tells us that the communities are not likely to benefit perceptibly from stadium construction or franchise relocation."

Baade and Sanderson point out that the primary beneficiaries of spending on sports are team owners and players, "and their wealth and earnings are largely spent in the communities in which they reside, or even out of state—not in the communities where their team plays."

Legislators in such states as Illinois, New York, Michigan, Maryland, California, and Ohio are now debating the pros and cons of new stadium construction. They should keep in mind Baade and Sanderson's conclusion that sound economics does not lend support for subsidizing professional sports.

Partners: IA *and* PolicyFax

The relationship between *PolicyFax*—The Heartland Institute's fax-on-demand information service—and *Intellectual Ammunition* dates back to late 1993, when the fledgling service was heralded in a special four-page insert. In the January/February 1995 issue, *PolicyFax* numbers began to be attached to documents reviewed in *IA*, giving curious readers instant access by fax to the complete texts of some documents. Lately, virtually all of the new publications reviewed in *IA* have been available from *PolicyFax*.

This summer, the relationship between *PolicyFax* and *IA* will grow even closer as the quarterly *PolicyFax* catalog gets transformed into a bimonthly section of *IA* titled "*PolicyFax* Update." The new section will take the place of *IA*'s "Research Report."

The change will be a win-win arrangement. In every issue, *IA* readers will get over twice as many publication reviews as now appear in Research Reports. And *PolicyFax* users get more frequent updates on new documents available from the service.

Cost savings generated by the new plan will enable us to expand *IA*'s circulation to all eight thousand elected state officials in the U.S., something we've been unable to do, on a consistent basis, in recent years.

We hope you will approve of the changes, and we look forward to hearing your comments and suggestions.

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Defending against the bomb

To maximize a stadium's net economic benefit requires far more than the creation of sports bars and restaurants. Planners must minimize "dead time" by integrating residential, commercial, and/or cultural functions that extend beyond the sports season. That is particularly true with professional football, where the home season is about ten days a year. There are only so many Grateful Dead concerts to book for the off-season.

> *A decade of research on the experiences of approximately fifty cities over the past 35 years tells us that communities are not likely to benefit perceptibly from stadium construction or franchise relocation.*

Indoor arenas, such as Chicago's United Center, at least have the advantage of two major tenants—generally basketball and hockey teams—plus the prospect of a few ice shows, circuses, trade shows, and conventions. However, there is an increasing tendency for sports cartels such as the National Football League and Major League Baseball to insist that new facilities not be shared. To retain the baseball Reds and football Bengals, for example, Cincinnati will have to build two new facilities, one for each team, to replace the jointly occupied Riverfront Stadium. Cities and their taxpayers are much better served by joint tenancies, but so long as they are vulnerable participants in the game of musical franchises, they will be left with the finest—and the most—facilities that threats can buy.

From a suburban perspective, cheap and plentiful land is both a blessing and a curse with respect to stadium construction. A sports team's preference for ample and lucrative parking usually means that the suburban facility is constructed as an island in a sea of asphalt, reducing the likelihood that fans will "spill over" into the community and thus contribute to local economic activity.

In addition, the commitments required to attract a team usually skew the financial outcome decidedly in the team's (and league's) favor. Once a city has been put "in play," team owners will demand from the community new construction, tax breaks, and a split of gate receipts and parking concessions—a "price" roughly equal to any gain the city might otherwise have derived from the team's presence. This is even more likely when several communities vie for the franchise, as St. Louis taxpayers discovered during their "successful" attempt to lure the Rams from Los Angeles and away from Baltimore and other suitors.

Ironically, the Chicago Bears' continual threats to settle in the suburbs or less densely populated areas run counter to current trends. These days, teams are returning to, or remaining in, urban centers—reflecting the theory that fans from outside the urban core may spend time before or after the game to sample other attractions in the city. This is not to say that the center city will benefit substantially from a sports team's presence—but the prospect for stadium-induced economic development is greater there than in the suburban periphery.

> *Consider September 1994. With no baseball to watch in person or on television, fans and their families went to movies, rented videos, ate out more often, and visited amusement parks. Very few dollars were "lost" as a result of the baseball strike; they just appeared on other ledgers.*

Winners and losers

The amount of money people spend on recreation is limited both by the amount of money they have and the amount of time they have. A dollar spent on professional sports rarely constitutes a dollar's worth of new spending within a community. To a large degree, citizens who spend money on sports are simply substituting one leisure option for another.

Consider September 1994, the most successful September in history for movies. With no baseball to watch in person or on television, fans and their families went to movies, rented videos, ate out more often, and visited amusement parks. Very few dollars were "lost" as a result of the baseball strike; they just appeared on other ledgers. A sports team's "multiplier effect" and contributions to a region's economy, trotted out so often by Chambers of Commerce and team owners ($125 million is the figure the Bears put forth recently) are invariably gross overestimates, maybe even by a factor of ten.

Furthermore, owners and players are the primary beneficiaries of stadium and game spending, and their wealth and earnings are largely spent in the communities in which they reside, or even out of state—not in the communities where their team plays. Without direct spending in the immediate stadium area, there is nothing to multiply.

Finally, constructing a stadium at public expense creates a reverse Robin Hood effect—taking from the poor and giving to the rich. Taxpayers in general end up increasing the wealth of franchise owners and players, and subsidizing the entertainment of fans who fill the stands on any given Sunday. And we know without question that owners, players, and NFL season-ticket holders are more affluent than the public at large.

An alternative to taxpayer financing would be to have the Bears build their own stadium and raise the average ticket price by $30. If their games continue to sell out, the ticket price increase would just meet the $20 million estimated annual debt service. Rest assured that this will not be an option the ownership brings to the table . . . but someone should.

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Robert Baade and Alan Sanderson teach sports economics at Lake Forest College and the University of Chicago, respectively.

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Uncovered

Jonathan H. Adler

Environmental Organizations Are at a Crossroads

Recent Republican efforts to reform America's environmental laws have failed. The expected revolution in environmental protection did not occur in 1995, nor is it likely to do so in 1996. Regulatory reform, changes in species protection laws, and a new Clean Water Act all are on the back burner, along with proposals to protect property rights and reform management of federal lands. This year it is unlikely that the Republican leadership will advance any environmental proposals of lasting significance.

This delay has made environmental lobbying organizations in Washington, D.C. and elsewhere ecstatic. Their thousands of direct-mail appeals, fax-network alerts, and media blitzes temporarily managed to fend off reform efforts. Now green conventional wisdom is that Republican candidates will be hurt in November because of public support for the environment. But the conventional wisdom is wrong.

Political power can be misleading, especially in Washington, where image can create reality that, like a mirage, can disappear just as suddenly as it appeared. Political establishments still look powerful just before they fall. Without widespread public support—and an agenda that is in line with the views of a majority of Americans—the environmental movement will not be able to dominate policymaking or shape public opinion in the long term.

Polls show that Americans call themselves environmentalists and support environmental protection. But most oppose the policies advanced by "mainstream" environmental groups. For example, a recent Roper Starch Poll found that two-thirds of Americans believe landowners should be compensated when their property is devalued by wetlands regulations or endangered species protections. Only 26 percent opposed compensation, although every major environmental group did.

Surveys comparing environmental activists to the general public disclose an even wider gap. Dr. S. Robert Lichter, director of the Center for Media and Public Affairs, found that 74 percent of activists believe government should increase taxes to protect the environment; only one-third of the general public holds such a view. Moreover, only 6 percent of activists in the survey believed government regulation of business is harmful, while more than 60 percent of the public believes so.

The more Americans learn about how environmental laws are enforced, the more they reject the laws. James Connor, former head of the Sierra Club's Montana chapter, observes, "I got involved in the environmental movement because I thought it was in the enlightened self-interest of humankind. But I'm not in tune with what is going on now. Something snapped. People in the movement have lost faith in humankind."

Many environmental groups do recognize the need to increase their lagging membership—the National Audubon Society has offered free memberships to anyone who buys a stuffed Nature Bear—but few of them seem to understand that they may have to fix their policy agendas to maintain popular support. Pressing for more government regulation, as most groups do, will not sustain the movement's momentum.

The environmental movement must learn to listen to Americans' concerns and recognize the real needs of individuals and local groups. There are now many property rights organizations that oppose government agencies that seize private land. Many local civic activists want a greater voice in environmental decisions affecting their community. This necessarily will involve the devolution of political power from the federal government to state and local entities. As Democratic pollster Stanley Greenberg has noted, "For ordinary citizens, devolution is a way of making the environmental regime more responsive, flexible, and sensible."

The environmental movement must learn to listen to Americans' concerns and recognize the real needs of individuals and local groups.

Sadly, most environmental activists have opposed taking a new course of action. Unwilling to change, the environmental movement increasingly relies on the foundation endowments that have given it power, money, and a capacity to frame debate based on political and media savvy.

But nothing lasts forever. The American people grow skeptical of environmental claims and distrustful of media scare stories. Americans want environmental protection, but they also want a growing economy, secure property rights, and the clear sense that they are in control of their own lives.

America's environmental organizations stand at a crossroads. Will they choose to develop and pursue reponsible and popular policies? Or will they remain mesmerized by extreme ideologies that will alienate the public further? The first path leads to a renewal of America's conservation tradition, the latter to the movement's eventual political collapse.

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Education

Joseph Walsh

School Privatization: Learning from Our Mistakes

Education Alternatives, Inc., the nation's largest for-profit manager of public schools, recently had its contract to manage or administer 12 of Baltimore's schools cancelled by the city's public school system. Most observers have considered this to be a serious setback for the company.

Four years ago Education Alternatives (EAI) promised major cost savings and quick improvement in student achievement. But the company failed to bring down costs or improve student scores. According to Heide Steffens, senior policy analyst at the National Education Association, an opponent of turning public schools over to private firms, the departure of EAI dealt a "serious blow to the entire for-profit education industry."

Is that true? What lessons can be learned from the EAI experience? And what does the future hold for such privatization efforts?

Rush to judgment

Isn't it interesting that critics of EAI's performance, notably their inability to raise student test scores, are judging EAI a failure after only four years? In almost twenty years of public school reforms we've witnessed no improvement at all in student performance. Most indicators, in fact, suggest declining academic performance.

> *It's important that contractors allow themselves to be held accountable for their performance, if only to differentiate themselves from the managers of government-run schools.*

As Brookings Institution fellow John E. Chubb noted in looking back at the 1980s, "the past decade has been the most ambitious period of school reform in the nation's history. But evidence of school improvement—e.g., in test scores and dropout rates—is almost impossible to find."

What can we learn?

Clear lessons can be drawn from the EAI experience. First, when entering a contract, private companies should not promise more than they can deliver. EAI promised immediate and significant improvements in test scores. Such ambitious goals are difficult to accomplish within the highly regulated, unionized environment of these government-run institutions.

Second, there appears to be more room for success when companies focus on taking over individual schools, rather than large segments or even entire school districts. EAI, for example, was to manage Hartford's entire 23,500-student, $200 million school system for five years. But in 1995, barely a year into the agreement, EAI was already overwhelmed. It hadn't succeeded in implementing the payroll, purchasing, and other systems necessary to run the city's schools. It quickly found itself at odds with many of the public school bureaucracies with which it was charged to work.

Chris Whittle's Edison Project, on the other hand, has chosen a smaller, less controversial path: manage a small number of schools in districts across the country, produce small success stories, and then expand within districts.

Other private companies are pursuing niche opportunities. Sylvan Learning Systems, Inc. runs rigorous tutorial sessions in almost sixty schools, mainly in Illinois and Maryland, for students who need help. This type of approach is less threatening to public school systems and fosters a more cooperative relationship between the companies and schools.

A third lesson for private companies managing schools is to secure as much independence and control as possible. Public education and its accompanying union structures are filled with volumes of rules and regulations. For example, it is often necessary for companies to be able to hire and fire their own teachers. But teacher unions oppose privatization and do their best to undermine newly implemented contracts. "I'm staying out of public schools until the courts protect companies from teachers unions and bureaucracies, " says Jack Clegg, chief executive of Nobel Education Dynamics Inc., a Pennsylvania-based company that has opened 17 for-profit elementary and middle schools over the past three years.

Finally, it's important that contractors allow themselves to be held accountable for their performance, if only to differentiate themselves from the managers of government-run schools. Edison and other companies have shown, through innovative teacher-training programs, for instance, that the market can be quite flexible when encountering problems in service delivery. As the Reason Foundation's Janet Beales puts it, "Baltimore's cancellation of its contract with EAI and the expansion of its partnership with Sylvan is a sign of a robust, competitive system. Contract terminations make it possible to correct problems and try new approaches. In contrast, failing public entities are often allowed to continue indefinitely. That lack of accountability is prompting public officials to increasingly consider competitive contracting."

CENTER FOR REBUILDING AMERICA'S SCHOOLS

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Environment

Jonathan H. Adler

Federalism on Federal Lands

The federal government owns one-third of the land in this country—approximately half of the land west of the Mississippi. Whereas land-use decisions are traditionally the prerogative of private parties or local governments, in the West land use is often controlled by Uncle Sam. It is commonplace for local economies to be dependent upon use of federal properties, and subject to the raft of conditions that such use entails. It is America's present-day feudalism.

Federal land ownership has not been without its costs. Tales of federal mismanagement are legion. The federal government spends billions of dollars in resource development on federal lands every year; it costs the federal government approximately $200 million per year just to cover the costs of grazing on Bureau of Land Management lands alone. Yet the government still manages to lose money in the process, while often failing to ensure adequate environmental protection.

Free-market economists argue, with good reason, that in many instances private managers would do a far better job at balancing resource use with environmental considerations on what are now federal lands. Regrettably, privatization of even a small portion of the federal estate is not yet within the realm of political plausibility.

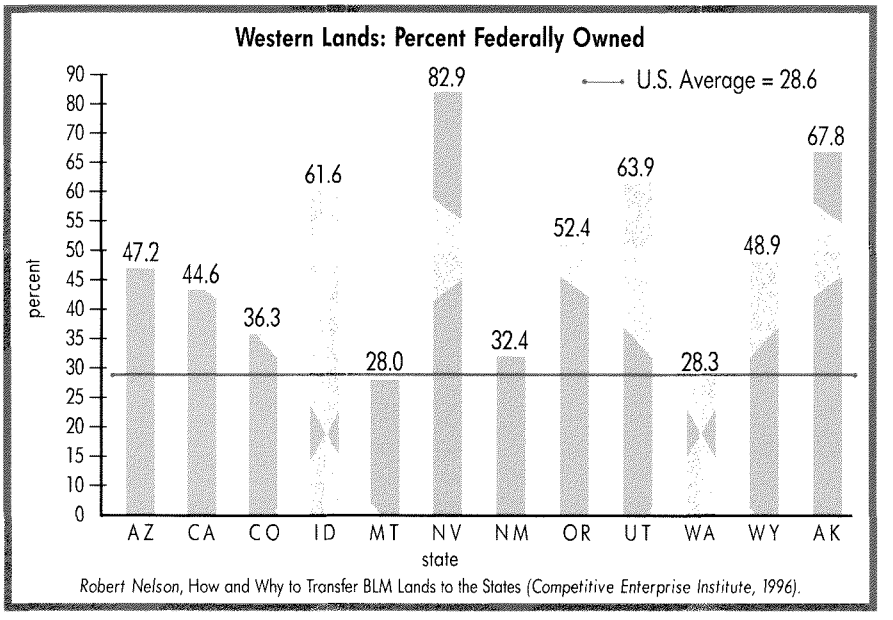
That is not to say that federal land reform is unwise or unwarranted. There is much that could be done, including transferring substantial holdings from Uncle Sam to the states. At first some states might not manage lands especially well, but others would, serving as examples. Land-use decisions would be made not in Washington, D.C., but by political bodies more in touch with the needs and desires of local residents. Some states might even opt to privatize selected parcels, such as those predominantly used for resource development. Lands with important ecological values might be turned over to private conservation organizations as well.

"One of the major advantages of state ownership of land would be much wider leeway for experimentation in land management approaches, as compared with the one-size-fits-all approach of the current federal system," notes Competitive Enterprise Institute senior fellow Robert Nelson. He argues that "the current lack of flexibility on the public lands fails to reflect the diversity of values, political cultures, geography and other key features of the West." Transferring lands to individual states could help address this concern.

Nelson, who served in the federal Department of the Interior for 18 years, is author of the newly released study *How and Why to Transfer BLM Lands to the States*. In Nelson's view, states are well-equipped to manage public lands. The conventional wisdom that states are incapable of sound land management is contradicted by numerous recent studies, including those of Donald Leal at the Political Economy Research Center (PERC) in Bozeman, Montana. According to Nelson, "for the state holdings in large continuous blocks that are most manageable and thus are more comparable to many federal lands, the state record compares favorably with federal results."

Nelson suggests that any transfer policy begin with the Bureau of Land Management (BLM), for these lands have "few nationally distinctive characteristics" and are often used primarily for grazing. Under Nelson's plan, grazing rights could be recognized prior to the transfer, and lands would only be transferred to those states that request such a move.

With increasing pressures from left and right to downsize government and return power to the states and the people, relieving Uncle Sam of a portion of his vast land holdings would encourage better management and facilitate the devolutionary process.



Robert Nelson, How and Why to Transfer BLM Lands to the States (Competitive Enterprise Institute, 1996).

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Health Care

Michael D. Tanner

Not So Fast on Kennedy-Kassenbaum

Most insurance companies would be reluctant to sell fire insurance to the owner of a burning house. In her book, *It Takes a Village*, Hillary Clinton says she finds that attitude "deplorable." Most Americans are apt to consider it common sense. Yet when it comes to health insurance, Congress appears ready to agree with Mrs. Clinton.

Next month the Senate is scheduled to vote on a bipartisan health care reform bill sponsored by Sens. Edward Kennedy (D-Mass.) and Nancy Kassenbaum (R-Kan.) that would prohibit insurance companies from refusing to insure individuals with pre-existing conditions. Pre-existing condition is simply bureaucratic terminology meaning people who are already sick. In effect, the law would mandate that health insurers sell the equivalent of insurance on burning houses.

> *Ending restrictions on pre-existing conditions has become a mantra of health care reformers, supported by everyone from Bill Clinton to Bob Dole*

Prelude to national health care?

While ending restrictions on pre-existing conditions has become a mantra of health care reformers, supported by everyone from Bill Clinton to Bob Dole, it remains bad health care policy and would almost inevitably begin the country along the road toward a national health care system such as that proposed by the president in 1993.

Kennedy-Kassenbaum would drive up the cost of health insurance for all of us. Everyone agrees that flooding the insurance pool with sick people will drive up premiums, although observers dispute how big the rise will be. Supporters of Kennedy-Kassenbaum suggest premium increases of 4 to 7 percent. Other studies indicate that much steeper rate hikes will result.

Because most people obtain their health insurance through their employer, the bill's provision to extend such treatment of pre-existing conditions to individual health insurance policies is particularly troubling. If a person loses his job, he generally loses his health insurance too. Under Kennedy-Kassenbaum, a person who lost his employer-provided health insurance would have the right to purchase an individual policy, regardless of his health. Many people who lose their jobs, however, are not prepared to assume the high cost of individual health insurance premiums. Healthy people will be likely to take a chance and go without insurance during the few months of unemployment. But sick people almost certainly will choose to purchase insurance.

As a result, the individual insurance pool will become sicker and sicker, driving premiums higher and higher. As a result, young and healthy people will be even less able to afford health insurance, leaving the insurance pool still sicker and creating an ever-increasing spiral. Almost inevitably the government will be forced to intervene, either through price controls or a mandate that healthy people purchase insurance. Within a few years the insurance system will strongly resemble Clintoncare.

Better ideas

There are alternatives. Approximately 25 states now operate high-risk health insurance pools for people with pre-existing conditions. Health insurance risk pools operate in substantially the same way as do automobile insurance pools for high-risk drivers. Both spread the cost of providing coverage for high-risk individuals among a larger population.

Risk-pool insurance covers a broad range of services comparable to those covered by traditional group health insurance plans, although deductibles are usually higher in risk-pool plans than under other group policies. In addition, premiums for risk-pool insurance are higher, often 50 to 100 percent higher, than are rates charged for an average individual policy. Generally, to be eligible for a risk pool, an individual must have been rejected by one or more insurers.

An even more market-oriented solution that has been suggested would be to allow insurers, on their own or in combination with other insurers, to provide federally qualified high-risk insurance. Such policies would probably cover only catastrophic illnesses. The purchaser would receive a tax-deduction worth up to twice the cost of the policy.

> *We should be very careful that our sympathy doesn't lead us to do more harm than good.*

Everyone sympathizes with those who have trouble purchasing insurance because they are already sick. But we should be very careful that our sympathy doesn't lead us to do more harm than good.

CATO INSTITUTE

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Law

Donna G. Matias

Curbing the Spread of the FDA

Cancer and AIDS: two life-threatening diseases for which we currently have no cure. Until we do, we must rely on early detection and treatment to curb their spread both within an individual's body and, in the case of AIDS, among individuals. But there is another illness of sorts, cancer-like in its capacity to spread ruthlessly if unnoticed, that frustrates our efforts to save lives. The affliction is the Food and Drug Administration's (FDA) pervasive intrusion into the lives and choices of individuals.

The FDA's failure to approve home testing deters many individuals from being tested at all.

Take, for example, the FDA's refusal to approve certain products that would allow individuals to test themselves in their own homes for the presence of cancerous lumps or HIV. Significantly, the agency does not oppose home testing on the grounds that the products at issue are inaccurate, unsafe, or ineffective. Indeed, the products are virtually identical to those the FDA has approved for use by doctors and medical clinics. Rather, the FDA simply believes that we ordinary people are intellectually, emotionally, and psychologically unequipped to examine ourselves at home.

For women who conduct self-examinations for signs of breast cancer, the FDA denies the use of a product called the Sensor Pad, which is designed to aid in detecting potentially cancerous lumps by increasing one's sense of touch. Increased sensitivity facilitates finding smaller lumps and those in the earlier stages of development, in turn making possible earlier treatment, if necessary. The Sensor Pad could not be more simple: it sandwiches a lubricant between two pieces of silky plastic. After a ten-year battle with the Sensor Pad's manufacturer, the FDA recently approved limited marketing of the pad, but not for home use. Instead, a woman must go to a mammography center or other medical institution if she wishes to benefit from the Sensor Pad's innovative design. That, of course, defeats the whole purpose of making self-examinations easier and more thorough.

The FDA does not contest the safety or effectiveness of the Sensor Pad. Rather, an FDA spokesperson proclaimed the agency's concern that women using it might think it a substitute for a mammogram and forego doctor visits altogether. But even without the Sensor Pad, women testing themselves at home might mistakenly overlook a lump or not follow up with a mammogram. Will the federal government soon prohibit us from performing self-exams at home? In fact, if the real concern is that women will skip the mammogram in the false belief that a self-exam suffices, manufacturers of the Sensor Pad need only include with the product a cautionary reminder to get regular checkups with a doctor.

On a different front but with the same paternalistic fervor, the FDA persists in its eight-year refusal to approve an HIV home-test kit. The kits would allow individuals to collect their own blood samples, label them with a numerical identifier, and send them off to a laboratory for testing. Within a week, they could call a toll-free number to obtain test results anonymously, in the privacy of their homes. In its last round of regulations concerning home testing, the FDA conditioned approval of home-test kits on the provision of face-to-face counseling upon receipt of positive test results. However, the agency does not contest the safety or accuracy of the kits, which are practically identical to those approved for use by doctors.

The FDA's failure to approve home testing—not because it is unsafe or ineffective but because it thinks the government knows best—infringes on the right of individuals to choose how they will obtain medical information about themselves and deters many individuals from being tested at all. During a time when HIV continues to infect large numbers of people, a tragic percentage of whom contract AIDS, we cannot afford to discourage testing.

During a time when HIV continues to infect large numbers of people, we cannot afford to discourage testing.

So long as technology increases opportunities for us to better control our lives and our health, the FDA will be there trying to protect us from ourselves. The expansion of the FDA's paternalism compels another diagnosis the government would prefer we not make—namely, that we are in danger of losing our liberty if we don't we fight for it.

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IJ Institute for Justice

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Is It Right to Hire Striker Replacements?

by George C. Leef

The protracted Detroit newspaper strike has breathed new life into a longstanding and often vehement dispute over the rights of striking workers. Should companies have the right to hire permanent replacement workers once a strike has begun?

The *Detroit News* and *Detroit Free Press*, with work forces composed both of union members who have decided that the strike is not in their best interests and newly hired replacements, have continued to publish and thereby minimize the impact of the strike against them. That decision has led to loud calls for reform of labor law.

Bills have been introduced in Congress and in the Michigan legislature to prevent what the managers of the Detroit newspapers have done. Michigan House Bill No. 4019, for example, would make a criminal out of any employer who gives a permanent job to a worker who replaces a striker.

Missouri Representative William Clay, sponsor of a bill in Congress to ban permanent replacements, argues that "American workers find that all too frequently the result of exercising the fundamental right to strike is to lose their job." In Clay's view, the hiring of permanent replacements "undermines" the right to strike.

But there is a glaring flaw in that reasoning. Short of giving employers the power to forcibly drag strikers back to work, or imprison them, the right to strike is perfectly secure. People are unquestionably free to walk away from a job if they decide that they do not care for the wages or conditions. What Mr. Clay is really complaining about is the freedom of management to act in a way that undermines the effectiveness of strikes. There is a world of difference between having a right to do something and having a right to succeed at it.

Michigan House Bill No. 4019 would make a criminal out of any employer who gives a permanent job to a worker who replaces a striker.

Current law already permits many actions that undermine the effectiveness of strikes. Allowing the hiring of temporary replacements undermines the effectiveness of strikes. So does permitting firms to use management personnel to operate a plant that has been struck, or allowing firms to stay open and sell to the public during the strike. The law permits such actions because it would be an outrageous attack on the rights of business owners to deprive them of all options except acquiescence to union demands.

But is it right to hire permanent replacements? Just because some permanent replacements have been hired does not mean that the strikers can never return to their former jobs. Under federal law, strikers have first rights to any job openings after the conclusion of the strike. The legal difference between a temporary and a permanent replacement is that temporaries have to be fired at the conclusion of the strike—throwing them into unemployment and disrupting their lives—whereas permanent replacements may remain on the job.

It is unfortunate that unemployment must fall upon anyone, but people who wish to assume the jobs that strikers have left have concerns at least as legitimate as those of the strikers. Sometimes, the availability of a job during a strike is the best opportunity for an unemployed person to earn a good paycheck, support his family, and get on track for a better future. Why should the law discriminate against those people? As American citizens, shouldn't they be as free as others to try to improve their lot in life?

The principle of freedom of contract resolves the matter easily. When a contract expires, both parties are free to recontract as they think best, either with each other, with other parties, or not at all. Suppose, for example, that you had a contract with someone to provide you with lawn care services during the year. The following spring, he informs you that he is raising prices by 5 percent. Rather than signing a new contract with him, you look around for another person or firm who will do the work at a lower cost.

What if your old provider protested that, even though the contract is over, you are "his" customer and should be prevented from recontracting in a way that "hurts" him. You'd be right on the mark if you replied, "I am no one's slave and you are not automatically entitled to my business. That's what competition in a free society is all about. You need to learn something about basic respect for the rights of other people."

The bottom line is this: If a person vacates his job, he has no moral right to claim it indefinitely, and no moral basis to prevent the employer from offering it to another willing worker. It's called freedom of contract, and that's one thing that makes America different from places like Cuba or North Korea.

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Privatization

John O'Leary & William Eggers

D.C. Privatization Task Force Issues Report

In December, District of Columbia officials released the long-awaited report of the Privatization of Government Services Task Force. The report endorsed the idea of competition, but proposed an elaborate administrative approach that critics contend will frustrate competitive contracting in practice.

The task force recommended that the District adopt a model of "Competitive Government," which was defined to give public departments an opportunity to improve internally before they would be asked to compete.

The report stressed the input of public employees: "Public employees are stakeholders in the improvement process. They should be given the opportunity to form labor/management partnerships to re-engineer or compete for service contracts." The report also concluded that "whichever outcome offers the best quality and lowest cost service should be adopted; whether it involves public or private solutions."

The Task Force report lists 131 District programs and services that are potentially "commercial" in nature and might be candidates for competitive review, including emergency ambulance services, delinquent tax collections, prison and jail management, and parking enforcement.

Some observers, noting the political influence of public employees unions within the District, questioned whether the District would provide a truly "level playing field" for public-private competitions.

The report endorsed the idea of competition, but proposed an elaborate administrative approach that critics contend will frustrate competitive contracting in practice.

The report comes at a time when the District of Columbia is in financial crisis, with projections of a $1 billion shortfall by the year 2000. With a non-investment grade bond rating, the District is under intense pressure from both Congress and an emergency financial oversight authority to alter established practices.

Also under fire is the District's highly restrictive privatization law. Enacted in 1993, the law establishes administrative restrictions on contracting that effectively prevent the contracting-out of any duties being done by District employees.

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Petaluma's private sewage facility

After a three-year planning process, the Petaluma, California city council announced on January 9 its plan to hire a private company to build and operate a new wastewater treatment facility to replace its own deteriorating and under-capacity facility. This groundbreaking proposal will last thirty years and is one of the most far-reaching public-private partnerships of its kind in the country.

The Task Force report lists 131 District programs and services that are potentially "commercial" in nature and might be candidates for competitive review.

The city turned to privatization due to high construction costs, California's strict regulatory requirements, and a growing population.

Under the proposal, the city will continue to collect user fees and set prices. Rates will increase only for inflation adjustments, city-approved expansions to the facility, or dramatic increases in effluent flow. If the company requests a 5 percent or more increase, the city has grounds for early termination. The city can also opt out of the contract or buy out the vendor if the private operator breaks regulatory or maintenance obligations. RFPs have been issued and the city will evaluate all proposals based on financial, technical, and managerial capabilities.

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A two-way street

A theme that emerged from a recent Reason Foundation conference about school privatization is that the private provider must be fully embraced by the public-school buyer. School principals and superintendents running successful partnerships shared the conviction that the private provider must be an integral part of their schools.

One superintendent speaking at the conference had invited his contract bus drivers, and their families, home for a backyard barbecue. A school principal explained that the company providing instructional services to her students was as much a part of her school's identity as the school itself.

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Reason Foundation

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Taxes

Stephen Gold

Flat Tax Plans Compare Favorably to Current Tax System

In a side-by-side comparison of the impact of various flat tax proposals and the current income tax system, Phil Gramm's plan is shown to have the largest impact on Americans' taxes, reducing their overall effective tax rate from 14.9% to 9.3%. However, the Gramm plan also takes in the least amount of revenue, an estimated $300 billion less than the current system—a critical consideration if future Congresses are unable to significantly reduce their spending.

Tax Foundation senior economist Arthur Hall's analysis covers each major flat tax plan—including those put forth by Rep. Dick Armey, Sen. Phil Gramm, former presidential candidate Steve Forbes, and the Kemp Commission. Each was analyzed at its advertised statutory rate: 20% for the Armey plan initially and 17% once spending is brought in line with revenue; 19% for the Kemp plan (based on Jack Kemp's recommendation, not the Commission's study); 17% for the Forbes plan; and 16% for the Gramm plan. Dr. Hall's results provide a snapshot of tax year 1997:

• The current income tax system—with its five tax brackets—has an average effective tax rate of 14.9%, when one takes into account the indirect effect of business taxes. Tax rates range from a low of 4.1% for those earning under $25,000 a year to a high of 30.9% for those earning over $200,000 annually. In 1997 the system will collect $808.6 billion in total revenue from individuals and businesses.

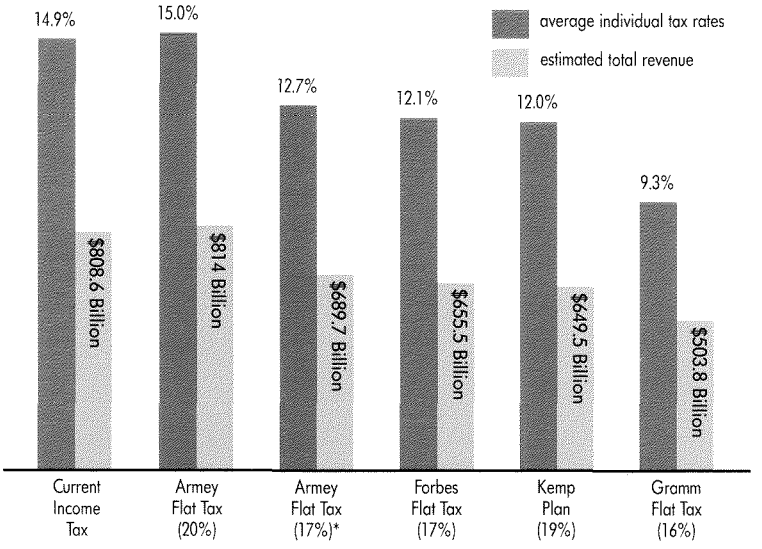
• The Armey 20% plan, which would be in place for two years until spending can be reduced, would keep the average effective rate at the current level, while bringing in slightly more revenue than does the current system. The range of average tax rates for the 20% plan, however, would be narrowed—from 6.8% to 24.3%. The Armey 17% plan, which would be introduced two years later if the necessary spending reductions are achieved, would result in an overall effective tax rate of 12.7%, ranging from 5.7% to 19.9%. The 17% plan would raise about $690 billion in 1997.

• Assuming the same personal and dependent exemptions as the Armey plan, and a full deduction for payroll taxes, a plan that might emerge from the Kemp Commission report would lower the average effective rate to 11.9%, with a range of 2.2% to 21.1%. Such a Kemp plan would result in total revenues of $650 billion.

• The Gramm plan, which, unlike the other plans, would continue to tax all income except dividends, would drop the average effective tax rate to 9.3%. Those earning under $25,000 would essentially not pay any taxes, while those earning over $200,000 would have an average effective tax rate of 15.9%. But, significantly, the Gramm plan would take in only $504 billion, over $300 billion less than the current income tax system now raises. (Senator Gramm has indicated that he would not try to implement his flat tax proposal until after the federal budget is balanced.)

• The Forbes flat tax plan would lower the average effective tax rate for all tax filers to 12.1%, with a range of 5.2% to 20.6%. The plan would raise $655.5 billion.

1997 Avgerage Individual Tax Rates (Including Business Incidence) and Estimated Total Revenue from Various Flat Tax Systems



Note: $808.6 billion is considered "revenue neutral." Without matching spending cuts, less revenue would lead to higher deficits.

*The Armey flat tax plan would start with a revenue-neutral rate of 20%, then would drop to 17% in the third year so long as it does not increase the annual deficit.

Tax Foundation, 1996

TAX FOUNDATION

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Welfare

Robert Rector & Christine Olson

Marital Stability Leads to Economic Independence

Illegitimacy and divorce are strongly correlated with a child's future dependence on welfare and a life of poverty. Conversely, as marital stability increases, so do economic independence and well-being. Data from the 1992 *National Longitudinal Survey of Youth: Child Data* dramatically demonstrate this relationship. The children in this survey are fully representative of children born to a nationally representative sample of women who reached adulthood in the late 1970s and early 1980s. In 1979 the women were between the ages of 14 and 21.

The children in this survey are broken into four categories depending on when they were born and whether their mother was married or subsequently married.

- **Out of Wedlock—never married:** Children born out of wedlock and whose mother continues to be unmarried.
- **Out of Wedlock—subsequent marriage:** Children born out of wedlock but whose mother eventually married.
- **In Wedlock—subsequent divorce:** Children born to parents who were married but are now divorced.
- **In Wedlock—intact marriage:** Children born to married parents who are still married.

The relationship between a marriage and economic independence is starkly drawn by the data: On average, children of mothers who never marry are on AFDC more than fifteen times longer than are children of still-intact marriages. Moreover, children of never-married mothers spend twice as much of their life on AFDC or below the poverty line as do children of unmarried mothers who subsequently marry.

The data also reflect how the welfare state, while acting as a safety net for some, has become a way of life for many others. Children in marriage-intact families rarely receive AFDC. Children of never-married mothers, however, on average receive AFDC for half of their lives.

Divorce hurts children as well: Children born to married parents who subsequently divorce spend four times as much of their lives on AFDC as do children of parents who remain married.

Clearly children who fare the worst are born to mothers who never marry. A sixteen-year-old child of a mother who never married will have spent on average more than eleven years of his life supported in some way by federal and/or state governments. The long-term economic and social costs of assisting children born to mothers who never marry must be addressed as state and local governments seek to reform and restructure welfare.

The long-term economic and social costs of assisting children born to mothers who never marry must be addressed as state and local governments seek to reform and restructure welfare.

Families whose parents stay married are the fundamental building blocks of an economically and socially stable society. Rampant illegitimacy and divorce trade societal stability brought by the family for the contrived and costly "stability" of government intervention.

Child was born at what point in mother's marital history?	Average percent of months child was on AFDC	in poverty	on any welfare
Out of Wedlock—never married	50%	51%	71%
Out of Wedlock—subsequent marriage	23%	24%	41%
In Wedlock—subsequent divorce	13%	22%	28%
In Wedlock—intact marriage	3%	7%	12%

Weighted sample, missing and/or conflicting birth and marriage dates excluded from sample
Excludes children born before 1978, the first year welfare data collected

National Longitudinal Survey of Youth: Child Data (1992)

The Heritage Foundation

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RESEARCH REPORT

Summaries of Research on State and Local Public Policy

BUDGET • CIVIL RIGHTS • CRIME
ECONOMIC DEVELOPMENT
ECONOMY • EDUCATION
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GOVERNING • HEALTH CARE • LABOR
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budget

Balance the budget, cut taxes. Capital gains tax cuts should be viewed as a critical component of any balanced budget plan. Without such tax relief, economic growth will suffer, generating insufficient tax revenues to counterbalance spending. According to The Heritage Foundation, the congressional balanced budget plan vetoed by President Clinton would add $112 billion more to the U.S. GDP over the next seven years *with* tax cuts than it would *without* tax cuts. William W. Beach and John S. Barry, "Balanced Budget Talking Points #9: Why Tax Relief Is Necessary in a Balanced Budget," *F.Y.I.*, December 29, 1995, The Heritage Foundation.

PolicyFax #0808402

Balance the budget, cut taxes . . . enjoy the wealth. "Congress's balanced budget plan with tax cuts will lead over the next seven years to greater business investment, higher earnings per hour, and faster economic growth than under current law." According to a model developed by The Heritage Foundation, a balanced budget plan with tax relief would mean an additional $32.1 billion in real disposable income over the period 1995 through 2002. William W. Beach and John S. Barry, "What a Balanced Federal Budget with Tax Cuts Would Mean to the Economy," *F.Y.I.*, November 14, 1995, The Heritage Foundation.

PolicyFax #0808401

Facts about the Balanced Budget Act. The Alabama Family Alliance has prepared a series of talking points about Congress's Balanced Budget Act. Their conclusion? The Act would benefit low- and middle-income families, help America's senior citizens, allow families to save more money, help small businesses create jobs, and foster greater investment. Cuts in the capital gains tax, for example, will increase investment by $75 billion, raise GDP by $120 billion, and create an average of 233,000 additional jobs per year between 1998 and 2000. "Balanced Budget Act," *Talking Points*, The Alabama Family Alliance.

PolicyFax #0808104

Set up a commission. The best way to trim the federal budget is to establish a bipartisan blue-ribbon commission to recommend programs to be cut, contends Murray Weidenbaum, chairman of the Center for the Study of American Business. The commission would be similar to the panel designed by Rep. Dick Armey to eliminate obsolete military bases. Weidenbaum presents five guidelines for budget-cutters. Murray Weidenbaum, "Needed: An Armey Commission on the Budget," *Policy Brief* No. 162, December 1995, Center for the Study of American Business.

PolicyFax #0800410

Social Security "investors" lose their shirts. "Most members of the baby-boom generation—people born between 1946 and 1964—can expect to lose money on Social Security when it is viewed as a retirement investment. . . . The negative returns will almost certainly become worse if lawmakers enact traditional reforms to keep the Social Security system from going broke in 2029." "Social Security a Bad Deal for Baby Boomers," *Tax Features*, January 1996, Tax Foundation.

PolicyFax #8036116

civil rights

Florida African-Americans speak out. The Foundation for Florida's Future recently polled five hundred randomly selected African-American registered voters in that state. The survey yields interesting insights into the hopes and concerns of black Floridians. *Did you know* that 81 percent of Florida's African-Americans favor requiring criminals to serve at least 85 percent of their sentence before being eligible for parole. The report concludes that although conservatives need to do a better job of reaching out to the black community, blacks and whites already agree on the direction we should take on most public policy issues. *Building Bridges: African-American Viewpoints on Florida's Public Policy Future*, October 20, 1995, The Foundation for Florida's Future.

PolicyFax #9900401

Free markets help women, too. Affirmative action is damaging to women because it perpetuates the myth that women are less competent than men. Thousands of free-market success stories written by women demonstrate how wrong that view is. *Did you know* that women who have never interrupted their careers for any reason now earn at least 98 percent as much as their male counterparts. Elizabeth Larson, "No Thanks, Uncle Sam," *The Freeman*, December 1995, pp. 771-774.

PolicyFax #1200108

Why women earn less than men. Women in the workforce still tend to earn less than men, yet in many cases the discrepancy can be explained by looking at the choices women have made. For example, women with bachelor's degrees make 76 percent of what men make. Those with master's degrees make 79 percent of men's salaries, and female doctorates earn 85 percent of what male doctorates make. But men tend to earn their degrees in higher-paying fields such as business and engineering, while women are disproportionately represented in fields such as liberal arts and education (in 1992, 75 percent of all master's degrees and doctorates conferred in education went to women). Katherine Post and Michael Lynch, "Free Markets, Free Choices: Women in the Workforce," *Briefing*, December 1995, Pacific Research Institute.

PolicyFax #2200415

crime

A former surgeon general speaks out. Joycelyn Elders was dismissed as United States surgeon general after she proposed that experts "do some studies" about whether legalizing drugs would reduce our crime rate. Dr. Elders re-

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cently addressed an audience at the annual conference of the Drug Policy Foundation. "Our government has utilized the criminal justice system to try to reduce drug abuse at an enormous financial cost and loss of civil liberties," said Elders. "Sadly, we have failed to even slow down the drug use." Joycelyn Elders, "Time to Stand Up," *The Drug Policy Letter*, Winter 1996, pp. 7-9, Drug Policy Foundation.

PolicyFax #1392403

> The drug war consumes an estimated $75 billion per year of public money, is responsible for nearly 50 percent of the million Americans now in jail, and occupies an estimated 50 percent of the trial time of our judiciary. **William F. Buckley, *National Review*, February 12, 1996.**

Marginal no more? For years the Second Amendment played a minor role in constitutional debates. "But the Second Amendment's era of marginality may well be ending. In the law journals if not yet in media of mass circulation, the Second Amendment has captured the attention of scholars, including some of the most eminent and respectable in their field, who find, somewhat to their own surprise as they reflect upon the matter for the first time, that the private right to keep and bear arms is very much in character with the Bill of Rights as a whole and with the thinking of the Framers of the Constitution." Daniel D. Polsby, "Second Reading: Treating the Second Amendment as Normal Constitutional Law," *Reason*, March 1996, pp. 32-36.

PolicyFax #1328408

Why Texas crime is declining. The overall crime rate in Texas has dropped by 30 percent since 1988. There is a simple reason for the decline: more prisons have been built, and more criminals are in them serving more time. Compared to 1991, the lower crime rate means that 1,140 fewer Texans will be murdered this year, and 450,000 fewer serious crimes against persons and property will be reported to police. Morgan O. Reynolds, "Crime and Punishment in Texas: Update," *Policy Report* No. 202, January 1996, National Center for Policy Analysis.

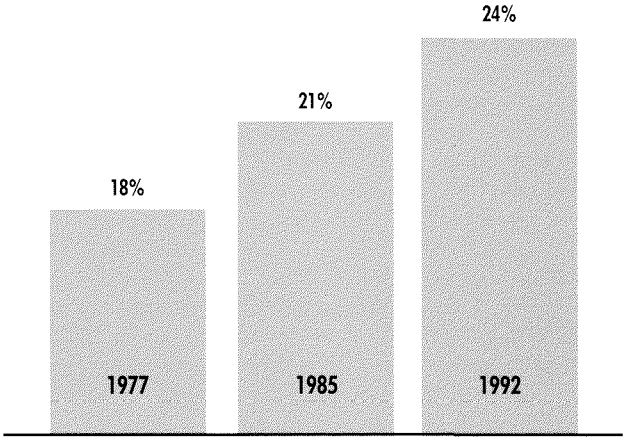
PolicyFax #1367401 (part 1)
#1367402 (part 2)
#1367403 (part 3)

economic development

States: Stop bidding for business. Ohio has been an active participant in the bidding war between the states for new and relocating businesses. But these incentives tend to redistribute jobs from one region to another. A better approach would be to create a better tax and business climate for all firms, since most new jobs in Ohio are created by existing businesses. Samuel R. Staley, "Ohio Should Mediate a Truce in the Bidding War between the States," December 8, 1995, The Buckeye Institute for Public Policy Solutions.

PolicyFax #1900108

Q: When you are at school, do you ever fear for your physical safety?*



*13 to 17-year-olds answering "yes."
American Enterprise Institute, 1995

economy

The facts tell a different story. Dramatic stories portraying a widening inequality of income and a disappearing middle class in America have been based, almost universally, on biased analyses that manipulate and distort the underlying economic facts. The middle class's apparent decline, in fact, is more accurately a reflection that members of the middle class are moving into higher income brackets: families with incomes in excess of $50,000 (in constant 1990 dollars) grew from 24 percent of the population in 1970 to 32 percent in 1990. John H. Hinderaker and Scott W. Johnson, "The Truth about Income Inequality," December 1995, Center of the American Experiment.

PolicyFax #9200405

What's happening to Americans' income? April 1995 marked the beginning of the fifth consecutive year of U.S. economic expansion. Gross domestic product (GDP) has grown an average of 3.1 percent annually since the trough of the 1990-91 recession, job growth in 1994 was the highest in a decade, unemployment is hovering around historic lows, and the Consumer Price Index through 1995 registered its best five-year performance since the early 1960s. W. Michael Cox and Beverly J. Fox, "What's Happening to Americans' Income?" *Policy Backgrounder* No. 138, January 29, 1996, National Center for Policy Analysis.

PolicyFax #9200408

education

Colorado should say no to Goals 2000. "At a time when there is a dire need to devolve decision making about education to the family level," writes Sheldon Richman, "the federal government is carrying out Goals 2000, which goes precisely in the opposite direction. . . . For the sake of the children, the state of Colorado should end its participation in Goals 2000. Refusal of the federal money and the attached conditions would be a dramatic first step in reversing the centralization that has gravely eroded American education and harmed the children." Sheldon Richman, "Why Colorado

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Should Drop Out of Goals 2000," *Issue Paper*, January 10, 1996, Independence Institute.

PolicyFax #2113403

Don't exclude religious schools. The evidence is mounting that school vouchers are great success stories. But school choice will have its greatest impact if parents are given the option of choosing religious schools—which comprise more than 90 percent of all nonpublic schools. "Unfortunately, much of the verbal combat focuses on whether vouchers establish a religion or simply allow families to exercise freely their religious beliefs. Let's hope that those keeping score will also count the educational needs of low-income minorities." Paul E. Peterson, "Vouching for a Religious Education," *The Wall Street Journal*, December 28, 1995.

Fixing Nevada's schools. Nevada spends a higher percentage of its budget on education than does any other state, but that hasn't translated into better schools: students' standardized test scores remain near the national average. The Nevada Policy Research Institute has proposed reforms—such as privatization and school choice—that would make Nevada schools more efficient and productive. Leslie Porter, "Nevada Education: Laying the Groundwork," *Policy Paper*, 1995, Nevada Policy Research Institute.

PolicyFax #2124402 (part 1)
#2124403 (part 2)

Give charter schools a try. Charter schools—independent public schools typically run by a combination of teachers, parents, or local organizations—may be the answer to our public school problems. The United States spends a greater percentage of its gross national product on education (7.5 percent) than does any other country except Israel. Yet U.S. 13-year-olds are outperformed in math and science by students in more than ten nations, including Hungary, Taiwan, and the former Soviet Union. Jonathan K. Hage, "Charting Florida's Educational Future," *Outside the Lines*, October 20, 1995, Foundation for Florida's Future.

PolicyFax #2111403

Helping school boards contract out. Should school boards be in the business of hiring school bus drivers and buying school buses or should they employ a transportation company to transport pupils to and from schools? Those are the sorts of questions school boards face every day, yet union and legislative opposition make options such as privatization and contracting out difficult to choose. School boards ought to be given the flexibility to pursue such options. Dr. Myron Lieberman, "Restoring School Board Options on Contracting Out," *Briefing*, November 20, 1995, The Claremont Institute.

PolicyFax #2166404

How about voluntary education? As state and local governments experiment with school reforms that never seem to work, two policy analysts are calling for a radical reform—ending compulsory schooling—that just might do the trick. By learning from history and examining the educational record of other countries such as Japan, it appears that "an educated society does not need government to compel children to attend school." Sheldon Richman and David Kopel, "End Compulsory Schooling," *Independence Issue Paper*, January 10, 1996, Independence Institute.

PolicyFax #2100402 (part 1)
#2100403 (part 2)

The bill for combined federal, state, and local special-ed funding has risen from about $5 billion in 1977 to almost $30 billion in 1995. *Report Card*, January/February 1996.

States weaken teacher unions. Teacher unions once ruled state capitols. But newly elected legislatures are fighting back. States around the country are following the lead of Michigan and Indiana, which have passed legislation weakening the power of the influential unions. In 1995, for example, Indiana made it illegal for the Indiana State Teachers Association to require nonunion teachers to pay part of their salary as dues to the union. Charles Mahtesian, "The Chastening of the Teachers," *Governing*, December 1995, pp. 34-37.

PolicyFax #2180409

Subsidizing Ohio's college students. The state of Ohio will spend $62.5 million over the next two years subsidizing in-state students attending private colleges and universities in Ohio, regardless of the students' financial needs. Such subsidies typically benefit wealthy families, who already can afford to send their children to private colleges. It is unfair "to ask Ohio taxpayers, most of whom are not college educated, to acquiesce in a multimillion dollar transfer of their money to expensive and well-endowed private colleges." Betsy Clarke, "Why is Ohio Subsidizing Expensive Private Tuition—Regardless of Need?" *Perspective*, November 8, 1995, The Buckeye Institute for Public Policy Solutions.

PolicyFax #2132103

Taking education into their own hands. "Fed up with waiting for slow-moving bureaucracies to improve public education," many African-Americans have taken urban education into their own hands and established new private schools. Curricula range from traditional to religious to Afrocentric. Many of the schools, which attract primarily low-income urban residents, are dramatic success stories: For example, 71 percent of seventh graders of Aishe Shule, a Detroit charter school, received "satisfactory" reading levels, as opposed to just 22 percent of their counterparts in the Detroit public schools. Hugh Pearson, "An Urban Push for Self-Reliance," *The Wall Street Journal*, February 7, 1996.

Teachers prefer Coke. When Jersey City mayor Bret Schundler arranged a deal with Pepsi-Cola to provide low-income Jersey City families with scholarships equal to half of their private school tuition, local teacher unions cried foul. After threatened boycotts and alleged destruction of Pepsi machines in public schools, Pepsi withdrew its offer. But while the unions appear to have won this battle, "[Pepsi's] offer to give underprivileged kids a way out of the dead end of public education may yet, as the company's slogan goes, help in the choice of a new generation of students." "Pepsi and the Unchoice for Education," *Report Card*, pp. 1, 14, November/December 1995, Center for the Study of Popular Culture.

PolicyFax #2192401

The rise of homeschooling. "A decade ago, homeschooling was seen as a fringe activity engaged in by a few radicals on the right and hippies on the left who were taking on the whole education system. Now five hundred thousand families—more than a million students—have made the choice to bring education back into their own hands and homes." This paper by the Capital Research Center takes a closer look at families who are taking responsibility for educating their children. Susan Olasky, "The Homeschooling Movement: Giving Homework a Good Name," *Philanthropy, Culture & Society*, December 1995, Capital Research Center.

PolicyFax #2165405

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environment

Needed: A new federalism. The federal government currently owns nearly half of the land in the westernmost of the lower 48 states. Such extensive land ownership by the federal government is a "basic anomaly in the American federal system" as control over land use is historically a function of local government. Giving states federal lands would represent a "new federalism for the public lands" and "the end of the progressive era of land management." Robert H. Nelson, "How and Why to Transfer BLM Lands to the States," January 1996, Competitive Enterprise Institute.

PolicyFax #2368302 (executive summary)

The New York Times recently reported that 1995 was the warmest year in history. The verdict, based on only eleven months of data, may have been issued prematurely: Northern Hemisphere temperatures dropped a remarkable 0.72°C in December, the largest single cooling in the entire 216 months of the satellite history.

Saving wetlands without soaking landowners. Congress is ignoring the best solution to problems of wetlands conservation: subsidies to encourage voluntary efforts by landowners. Private incentive programs tend to work far better than command-and-control regulation. Courtney Lafountain, "Saving Wetlands without Soaking Landowners," *Policy Brief* 164, January 1996, Center for the Study of American Business.

PolicyFax #2378410 (part 1)
#2378414 (part 2)

The law of unintended consequences. Municipalities may unwittingly reduce recycling rates by increasing the size of the garbage receptacles they provide. Such behavior encourages people to throw more things away, simply because the larger trash cans can accommodate more materials. "For example," writes William L. Rathje, "in areas with curbside collection of recyclables, newspapers represent a significant new occupant of the larger garbage cans, probably because the cans represent an easier alternative than separation." Dr. William L. Rathje, "Parkinson's Law of Garbage," January-February 1996, *The ULS Report*, Partners for Environmental Progress.

PolicyFax #2377118

Water, Inc. Investor-owned water companies provide comparable water services to consumers at virtually the same price as do government-owned water companies, yet the government companies have higher costs, are less efficient, and receive generous state and local tax subsidies. The United States lags behind a number of countries that have restructured all or part of their water-delivery system to realize private-sector efficiencies. Kathy Neal, Patrick J. Maloney, Jonas A. Marson, and Tamer E. Francis, "Restructuring America's Water Industry," *Policy Study* No. 200, January 1996, Reason Foundation.

PolicyFax #6512403 (part 1)
#6512404 (part 2)
#6512405 (part 3)

family

Following New Jersey's lead. In August 1993 New Jersey implemented its controversial family cap, which denies additional welfare payments to mothers who have more children while on welfare. In the sixteen months after the New Jersey cap took effect, the average monthly birth rate for women on AFDC in New Jersey declined by 10 percent or more. States ought to pay attention to those results, and consider following New Jersey's example when debating welfare reform proposals. Jennifer E. Marshall, "The Legacy of the New Jersey Family Cap: A Blueprint for the States," *At the Podium*, Family Research Council, December 1995.

PolicyFax #2400202

governing

A conventional approach to term limits. A new video produced by the U.S. Term Limits Foundation outlines new efforts to enact a congressional term limits amendment through the Article V convention process. The video, titled *The People's Path to Term Limits*, features such advocacy leaders as Ross Perot of United We Stand, Paul Jacob of U.S. Term Limits, Karen Kerrigan of the Small Business Survival Committee, and Nobel laureate Dr. Milton Friedman of the Hoover Institution. For a copy of the videotape or for more information, call **800/733-6440** (in Washington, D.C., call **202/393-6440**).

According to a June 1995 Tarrance Group poll, 70 percent of minorities and 75 percent of women support term limits. Seventy-four percent of the general population favor term limits. **Cleta Mitchell, "Term Limits: Needed Reform? Or Populist Ploy?" *Campaigns and Elections*, December/January 1996.**

Term limit lessons from Arizona. In 1992 Arizona voters passed term limits with 74 percent of the vote. Although the eight-year term limit law will not officially prevent anyone from running for office until the year 2000, many positive effects of the law are already visible. "Term limits have focused members on their tasks like never before," writes a member of the Arizona House of Representatives. "Good leaders tend to rise to the top more quickly and the seniority system is being dismantled." Rep. Mark Anderson, "Changes on the Way: Preliminary Effects of Term Limits in Arizona," *Term Limits Outlook Series*, November 1995, U.S. Term Limits Foundation.

PolicyFax #2880405

Term limits: pro and con. Two political observers comment on the merits of term limits. Victor Kamber, Democratic political consultant and author of the forthcoming book *Giving Up on Democracy: Why Term Limits Are Bad for America*, believes that term limits "embody perhaps the most dangerous and pervasive problem facing this country today: our increasing cynicism and despair over politics." Cleta Mitchell, director of the Term Limits Legal Institute, disagrees: "Term limits [are] a metaphor for disciplining legislative excess and arrogance," she writes. Victor Kamber and Cleta Mitchell, "Term Limits: Needed Reform? Or Populist Ploy?" *Campaigns and Elections*, December/January 1996, pp. 57-58.

PolicyFax #2880109

Can government fix families? Two social thinkers disagree about whether government can play a significant role in restoring U.S. families. Amitai Etzioni, noted expert in communitarian thought and professor at George

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Washington University, argues that better tax breaks for parents and more generous family leave policies will help create the proper political climate for the moral transformation that must occur. Don Eberly, director of the National Fatherhood Institute, disagrees. Amitai Etzioni and Don Eberly, "Can government play a significant role in restoring U.S. families?" *Insight on the News*, January 29, 1996, pp. 24-26.

PolicyFax #2428101

How Massachusetts plans to downsize government. On November 1 Massachusetts governor William Weld and lieutenant governor Paul Cellucci announced a sweeping plan for a smaller, more efficient, and less costly state government. The radical reform proposal, titled *The Government We Choose: Lean, Focused, Affordable*, addresses major public policy issues, including transportation, education, taxes, and health and human services. For a copy of the proposal, call the governor's office at **617/727-6250**.

Is government against the law? "Over the 20th century, the federal government has assumed a vast and unprecedented set of powers. . . . [M]ost of what the federal government does today—to put the point as plainly and candidly as possible—is illegitimate because it is done without explicit constitutional authority. The time has come to start returning power to the states and the people, to . . . restore constitutional government." Roger Pilon, "Restoring Constitutional Government," *Cato's Letter* No. 9, 1995, Cato Institute.

PolicyFax #2800414

Michigan state employees do well. "Are state employees in Michigan underpaid? A look at the statistics on salaries and benefits in the private sector compared to those of state government employees suggests not. In fact, compensation for state government employees has been growing at a faster rate than in the private sector." *Did you know* that between 1984 and 1994, private-sector employees saw their pay increase by 39.6 percent, while state government employees in Michigan received pay increases of 54.8 percent. Margaret O'Connor, "The Price We Pay for Government Work," *Viewpoint*, December 4, 1995, Mackinac Center for Public Policy.

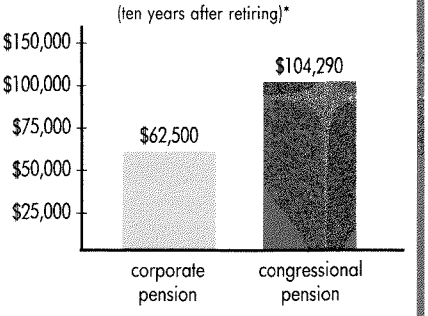
PolicyFax #0865101

Not quite a reinvention. The Clinton Administration has already proclaimed its "Reinventing Government" plan a success and a better alternative to "harsh" Republican budget-cutting plans. But a closer look suggests that government has not, in fact, shrunk or become less expensive. While President Clinton claims to have eliminated 160,000 federal jobs, 90 percent of them were eliminated from the Department of Defense—a move prompted by new political realities, not a conscious effort to streamline the federal bureaucracy. Byron York, "Big Al's Big Scam," *The American Spectator*, February 1996, pp. 39-43.

PolicyFax #2800420

Average Pension Size: Corporate vs. Congressional

(ten years after retiring)*



National Taxpayers Union Foundation

**Projections assume: equal final salaries ($136,000), 20 years of service, retirement at age 65, usual contributions to retirement savings accounts, and a 4 percent COLA.*

Now how about devolving power to people? Devolution of authority to states and local governments is one of the hottest concepts in Washington. But would-be devolvers ought to look at the Washington suburb of Alexandria, Virginia, which has demonstrated that local governments can be every bit as intrusive as national governments. Not counting school personnel, Alexandria employs 175 people per ten thousand population—a ratio higher than that of Chicago and Los Angeles. Clint Bolick, "Leviathan in the Suburbs," *The Weekly Standard*, December 18, 1995, pp. 25-28.

PolicyFax #2800415

health care

Expanding medical access. Studies have repeatedly shown that nonphysician providers of medical care—such as midwives, nurses, and chiropractors—can "perform many health and medical services traditionally performed by physicians—with comparable health outcomes, lower costs, and high patient satisfaction." But licensure laws artificially restrict the supply of alternative providers, which increases costs and reduces access for patients. Studies have shown, for example, that between 75 and 80 percent of adult primary care, and up to 90 percent of pediatric primary care, could be safely provided by nurse practitioners (nurses with graduate training in nursing). Sue A. Blevins, "The Medical Monopoly: Protecting Consumers or Limiting Competition?" *Policy Analysis*, December 15, 1995, Cato Institute.

PolicyFax #3273302

MSAs benefit families. By promising to lower health care costs for all Americans, Medical Savings Accounts (MSAs) may be the most family-friendly health care reform now under consideration. Because MSAs are portable—i.e., they can be transported from job to job and tax-free—they represent the best way for families to protect themselves against skyrocketing medical bills. Catherine A. Deeds, "Medical Savings Accounts: Good for Health Care Reform, Good for Families," *Insight*, September 1995, Family Research Council.

PolicyFax #3253111

Reform Medicare or face higher taxes. "Analysis of Medicare finances indicates that it is critical that we reform the system as soon as possible. Any other course of action will result in a disaster for beneficiaries and future taxpayers." According to Medicare's trustees, if no reforms are enacted, bringing the fund into long-term balance would require that taxes rise immediately from the current 2.9 percent to 6.42 percent. Such a tax hike would mean that a worker earning $45,000 per year would pay an extra $1,500 annually. John E. Berthoud, "Failure to Reform Medicare: A Recipe for Huge Tax Increases," *Issue Brief*, November 23, 1995, Alexis de Tocqueville Institution.

PolicyFax #3228413

Saving lives and cutting costs. By privatizing Emergency Medical Service—the network of people, equipment, and procedures that respond to medical emergencies in local communities—cities could save millions of dollars and improve response times to 911 emergency calls. According to Reason

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Foundation estimates, by contracting with a private provider for certain services, Los Angeles taxpayers could save more than $30 million per year. Robert W. Poole, "Privatizing Emergency Medical Service: How Cities Can Cut Costs and Save Lives," *How-To Guide* No. 14, December 1995, Reason Foundation.

PolicyFax #6512423 (part 1)
#6512424 (part 2)

States offer health care suggestions. The collapse of President Clinton's health care reform effort has opened the door for states to propose innovative solutions to rising health care costs. At a symposium sponsored by The Heritage Foundation, representatives of three states—Massachusetts, Minnesota, and Washington—describe their approaches to health care reform. Charles Baker, Ken Heithoff, M.D., and Rep. Phil Dyer, "Lessons on Reforming Health Care at the State Level: Massachusetts, Minnesota, and Washington State," *A Physicians Council Symposium*, June 13, 1995, The Heritage Foundation.

PolicyFax #3272217

labor

No more right-to-work for Michigan. "Michigan is overdue for a thoughtful consideration of a fundamental labor law. Should workers be compelled to join a labor union to hold their jobs? Since 1947, when Congress passed the Taft-Hartley Act, 21 states have made it illegal for union membership to be a condition of employment. Michigan retains its status as a compulsory unionism state, but more because of inertia, misconceptions, and fear of controversy than because of any genuine public discussion." (See page 9 for a related article on Michigan labor issues.) Lawrence W. Reed, "Michigan Needs Discussion of Right to Work," *Viewpoint*, January 8, 1996, Mackinac Center for Public Policy.

PolicyFax #2200109

law

Justice O.J. deserves. Many people believe that our jury system failed when it pronounced O.J. Simpson a free man. But by acting as "the conscience of the community, standing as one of the final safeguards in the system," the twelve jurors who freed Simpson were simply doing their job. Our Founding Fathers recognized that "the whole purpose behind trial by jury was that ordinary citizens would be one of the last bastions against governmental tyranny." Jacob G. Hornberger, "Trial by Jury," *Freedom Daily*, December 1995, The Future of Freedom Foundation.

PolicyFax #4800107

privatization

A plan for fixing Social Security. A recent poll revealed that half of current Social Security recipients don't believe the program will exist when their grandchildren retire. Peter J. Ferrara, senior fellow of the National Center for Policy Analysis, has developed a proposal for saving the national retirement plan. Ferrara's plan would be based on a successful model in Chile, where workers may shift their payroll taxes into personal investments similar to Individual Retirement Accounts (IRAs). Peter J. Ferrara, "The Social Security Mess: A Way Out," *Reader's Digest*, December 1995, pp. 107-110.

In late November the state of New Jersey awarded a contract to Correctional Medical Services of St. Louis to provide medical services and psychological treatment in state prisons. Cost savings are projected to be $7 million in the first year of the three-year contract and then $20 million annually after that. **Reason Foundation, January 1996.**

Private prisons work. "Clear and convincing evidence from the United States and elsewhere shows that privatizing criminal correctional facilities results in better public service at a lower cost than government operation." *Did you know* that a 1989 study by Charles H. Logan and Bill W. McGriff found that annual operating costs of a Hamilton County, Tennessee penal farm were reduced by 5.4 percent under a private contract. Charles W. Thomas, "Private Prisons Succeed," *Brief Analysis*, November 21, 1995, National Center for Policy Analysis.

PolicyFax #6512305

Privatizing Pennsylvania prisons. "Private prisons offer significant advantages for Pennsylvania. . . . Given the Commonwealth's ever increasing prison population, and the costs associated with that increase, it is time to again consider private prisons in Pennsylvania. Indeed, the time may soon come that the governor and the General Assembly, faced with the tremendous costs involved in building and operating prisons, will decide that the least politically costly path is to privatize the construction and operation of new prison facilities, if not the operation of existing facilities." Steven Loux, "Prison Privatization in Pennsylvania," January 1996, The Commonwealth Foundation.

PolicyFax #6512425 (part 1)
#6512426 (part 2)

San Diego misses the bus. The San Diego Board of Education has decided to discontinue competitive contracting for school transportation services. But the Board's analysis, which found that expanding its in-house transportation would save the district $1.2 million annually, was based on misleading and flawed financial data. According to the Reason Foundation, San Diego City Schools paid an estimated $6.7 million more than necessary for transportation services in 1993-94. Janet R. Beales, "Total Costing for School Transportation Service: How the San Diego City Schools Missed the Bus," *Policy Study No. 199*, December 1995, Reason Foundation.

PolicyFax #6512304

regulation

It's so hard to find a cab. The city of Boston artificially restricts the number of legal taxicab operators by imposing an unofficial limit on the number of taxicab medallions (licenses required to operate a cab). "These regulations do little more than protect existing medallion holders from much-needed competition at the expense of current and would-be drivers and the riding public, especially the poor and minorities, who receive inadequate, unreliable, and costly taxicab service." John E. Kramer and William Mellor, "Opening Boston's

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Taxicab Market," *Invitation to Change: Better Government Competition Winners*, 1995, pp. 79-90, Pioneer Institute for Public Policy Research.

PolicyFax #8105405

society

Can Congress revive civil society? Indiana Sen. Dan Coats has proposed a list of far-reaching government initiatives in an effort to revive "civil society"—the complex network of private, voluntary institutions that includes families, communities, and charities. Can his proposals restore civil society? Three prominent social thinkers, Gertrude Himmelfarb, Don Eberly, and David Boaz, respond to Coats's ideas. Sen. Dan Coats, Gertrude Himmelfarb, Don Eberly, and David Boaz, "Can Congress Revive Civil Society?" *Policy Review*, January/February 1996, pp. 24-33, The Heritage Foundation.

PolicyFax #2800416

Facts about immigration. A new paper by distinguished economist Julian Simon provides an important overview of the effects of immigration on the United States. Professor Simon demonstrates that immigrants have an overwhelmingly positive impact on the country. *Fact:* Top economists recently were asked the question, "What impact does illegal immigration in its current magnitude have on the U.S. economy?" Eighty-five percent answered that illegal immigration has a positive or neutral impact. Only 11 percent believed that illegal immigration harms the U.S. economy. Julian L. Simon, *Immigration: The Demographic and Economic Facts*, 1995, Cato Institute (co-published with the National Immigration Forum).

PolicyFax #1233403

How fair is FAIR's analysis? The Federation for American Immigration Reform (FAIR) recently released "A Tale of Ten Cities: Immigration's Effect on the Family Environment in American Cities," a study that attempts to document the negative impact of immigration on a city's quality of life. But according to Alexis de Tocqueville Institution vice president John E. Berthoud, FAIR's study is biased: It selected only those cities that confirmed its anti-immigration stance. John E. Berthoud, "FAIR's 'A Tale of Ten Cities': A Fair Analysis?" November 14, 1995, The Alexis de Tocqueville Institution.

PolicyFax #1233402

The Oscars of the elite. Every summer the John D. And Catherine T. MacArthur Foundation announces the winners of its annual MacArthur Fellows Program—the so-called "genius grants," unrestricted five-year grants of between $150,000 and $350,000 designed to fund great works of art, literature, and science. But the grants primarily tend to fund left-leaning elites who need neither the money nor the recognition. Martin Morse Wooster, "MacArthur's Genius Awards: The Oscars of the Multicultural Elite," *Philanthropy, Culture & Society*, January 1996, Capital Research Center.

PolicyFax #6401409

taxes

Americans pay record-high taxes. In 1995 a median-income family with two income earners can expect to pay 38.2 percent of its income in federal, state, and local taxes. That's according to the Tax Foundation, which has prepared a valuable report on rising tax burdens for U.S. families. The report includes several useful charts and graphs that document recent tax trends. Arthur P. Hall, Ph.D., "Taxes Force American Family to Tighten Belt," *Special Report* No. 54, November 1995, Tax Foundation.

PolicyFax #8036113

Progressive tax cuts. According to a November 1995 Tax Foundation analysis of Congress's recent tax bill, proposed tax cuts will most benefit low-income earners. People earning between $15,000 and $30,000 would on average see an 11.8 percent tax reduction, while those earning more than $115,000 would see a tax reduction of only about 1.3 percent.

Flat tax, fair tax. By increasing the incentives to save and to invest time and money in education and training, a low flat-rate income tax would increase the economy's stock of economic and human capital, and thereby enlarge national wealth, decrease economic inequality, and increase real tax receipts. "Fewer people," writes Hudson Institute director of economic research Alan Reynolds, "will invest so much time and tuition in higher education in the future if they believe that they will face punitive tax rates later when they finally reap the rewards at mid-life." Alan Reynolds, "The Fairness of a Flat Tax," *Hudson Briefing Paper* No. 185, January 1996, Hudson Institute.

PolicyFax #8024412

Flat tax would be good for housing. Despite claims that the flat tax would throw the housing market into turmoil, economic history and statistical analysis show that the flat tax would increase personal income, lower interest rates, and increase national wealth. All in all, that would be beneficial, not harmful, to the housing market. Harvard economist Dale Jorgenson has estimated that national wealth would rise by $1 trillion under a flat tax, and that would mean good news for homeowners: When personal income rises, so too does the value of homes. Rebecca Schaefer, "Would the Flat Tax Flatten the Housing Market?" *Issue Analysis*, December 7, 1995, Citizens for a Sound Economy Foundation.

PolicyFax #8024411

Philanthropy and the flat tax. Some opponents of the flat tax fear that eliminating the deduction for charitable contributions would hurt nonprofit organizations. While this claim may make for a good sound bite, the fact is that tax deductibility is not the primary driver of donations. Rather, personal income and personal feelings are the main motivators for giving. Because the flat tax would increase personal income—individuals would see a drop of $2,530 in their total tax burden—charitable giving would likely increase with this change in the tax code. Rebecca S. Schaefer, "So, What Gives? How Tax Policies Affect Charitable Donations," *Issue Analysis*, December 20, 1995, Citizens for a Sound Economy Foundation.

PolicyFax #6401406

The Internal Revenue Service publishes over six hundred tax forms, and another 280 forms to explain how to fill out the six hundred forms. **Citizens for a Sound Economy, January 3, 1996.**

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Washington can learn from the states. As Congress debates a plan to balance the budget, the evidence appears clear that the plan ought to include provisions for tax cuts. A new study by economist Richard K. Vedder demonstrates that states with higher taxes have experienced significantly slower personal income growth, while states with low taxes have enjoyed substantially higher personal income growth. Richard K. Vedder, "State and Local Taxation and Economic Growth," *Joint Economic Committee Staff Report*, December 1995. Contact the Joint Economic Committee, G-01 Dirksen Senate Office Building, Washington, DC 20510-6602, 202/224-5171. (This study is also available at **http://www.senate.gov/~jec/sta&loc.html**.)

telecommunications

A state-by-state guide to telecommunications. This document is a compilation of innovative telecommunications and information technology applications in various states. It should serve as a valuable reference to public policymakers and business and industry leaders involved in delivering these technologies to global users." "How the States Are Entering the Information Age," *The State Factor*, November 1995, American Legislative Exchange Council.

PolicyFax #9900402 (part 1)
#9900403 (part 2)
#9900404 (part 3)

Not far enough? Republicans call for telecommunications deregulation, but their proposals are far too timid, according to regulatory scholar Robert W. Crandall. "If the Republican majority in Congress truly believes that markets are superior to government controls in allocating resources, they could surely go much farther in dismantling telecommunications regulation than they are now prepared to do." Robert W. Crandall, "Waves of the Future: Are We Ready to Deregulate Telecommunications?" *The Brookings Review*, Winter 1996, pp. 26-29, The Brookings Institution.

PolicyFax #7200414

trade

Asian trade means more jobs for U.S. The U.S. Department of Commerce estimates that twenty thousand American jobs are created for each $1 billion in exports. In 1994 more than three million Americans owed their jobs to U.S. exports to Asia, which totaled $153 billion that year. John T. Dori, "As U.S. Exports to Asia Boom, So Does Creation of American Jobs," *F.Y.I.*, November 15, 1995, The Heritage Foundation.

PolicyFax #1980111

welfare

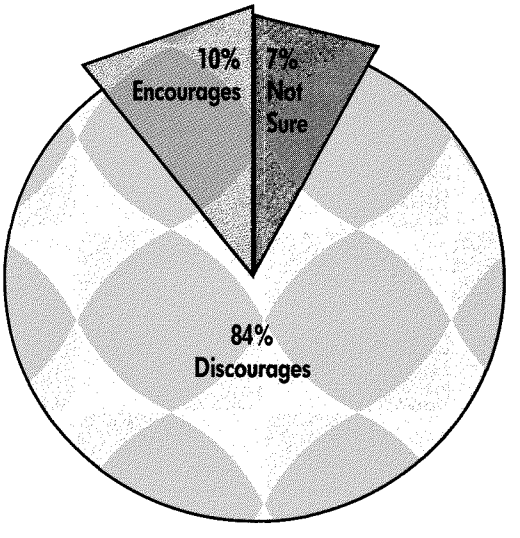
A new approach to welfare funding. True welfare reform requires more than quick-fixes such as limiting benefits or implementing workfare programs. A new *Policy Study* from the Beacon Hill Institute proposes a welfare reform plan that would make the system taxpayer-funded and taxpayer-controlled. By enabling taxpayers to direct their dollars to private charitable organizations, welfare rolls can be reduced and taxpayers can save money. James P. Angelini, William F. O'Brien, Jr., and David G. Tuerck, "Giving Credit Where Credit Is Due," *Policy Study*, December 1995, Beacon Hill Institute.

PolicyFax #9200407

Welfare must be reformed. *Did you know* that among the 4.7 million families currently receiving welfare (AFDC), over 90 percent will spend over two years on the AFDC caseload, and more than three-quarters will spend over five years on AFDC. Our welfare system promotes long-term dependency and must be reformed. Robert Rector, "Why Congress Must Reform Welfare," *Backgrounder*, December 4, 1995, The Heritage Foundation.

PolicyFax #9200403

Question: Do you think the current welfare system encourages poor people to find work or discourages them?



Survey by Yankelovich Partners for Time/CNN, May 18-19, 1994.

other topics

Lessons from a pioneer. In an age of sound bites, C-SPAN founder and CEO Brian Lamb has transformed political reporting. This interview, conducted by American Enterprise Institute visiting professor Thomas W. Hazlett, addresses C-SPAN's founding, as well as Lamb's thoughts on telecommunications deregulation. "Changing Channels," *Reason*, March 1996, pp. 37-43.

PolicyFax #2851401

The arts in a free market. A free-market economy may just be the arts' best friend. Higher standards of living enable more individuals to produce and enjoy art. Defenders of public funding of the arts "portray themselves as progressives but they actually support a historically reactionary position. Music and the arts have been moving away from government funding since the Middle Ages." Tyler Cowen, "The Arts in a Free Market Economy," *The Freeman*, December 1995, pp. 748-750.

PolicyFax #0800113

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Trade Protectionism and the New Luddites

by Bryan Riley

December 8 marks the anniversary of U.S. acceptance of both the North American Free Trade Agreement and the Uruguay Round of GATT. Critics maintain that by lowering U.S. trade barriers and allowing Americans to spend more of their dollars as they like, these agreements destroyed U.S. jobs. That assertion mirrors the thinking of a group known as the Luddites, who had opposed the industrial revolution. Today's critics of free trade are the New Luddites.

In the early 1800s, a group of English workers mounted a charge to destroy labor-saving machinery, fearing that the new technology would wipe them out. The machinery allowed workers to produce more at a lower cost, thereby raising living standards. Workers who seized on the emotionally appealing claim that labor-saving devices destroy jobs became known as Luddites, after their mythical leader, Ned Ludd.

The Luddites were right. Labor-saving machinery destroyed millions of industrial and agricultural jobs, a trend that continues to this day. Fortunately for us, the Luddites failed to carry the day. Had they succeeded in preserving their jobs, most of us would be laboring in dangerous textile sweatshops or performing backbreaking dusk-to-dawn farm work.

Instead of preserving those miserable jobs, Americans participated in an industrial revolution that generated unprecedented job destruction. But the technology that rendered many labor-intensive jobs obsolete left American consumers with more money to spend and invest, creating jobs in previously unimaginable ways. The visible job destruction of the industrial revolution was necessary to generate the invisible job creation that advanced U.S. living standards.

Today, someone who argues that tractors or factories were a bad idea because they destroyed jobs is a target for the derisive label of "Luddite."

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The resurrection of the Luddites

In the 1800s, the Luddites argued we should oppose new technologies because they destroyed jobs. The same logic fuels the New Luddite assertion that Americans should oppose imports because they destroy jobs.

Like their predecessors, the Luddite protectionists are partly right. When American parents choose to buy their daughter a dress made in China, that's one less U.S.-made dress that will be sold. However, the loss for the U.S. textile worker is good news for computer technicians at IBM, machinists at Boeing, and farmers nationwide. Every dollar spent on Chinese-made clothing enables people in China to afford more U.S.-made products and to invest in our economy, creating new U.S. jobs. But just as significantly, the money that Americans save on cheap imported clothes doesn't vanish into thin air. It's used to finance educations, to pay for families' health care costs, to invest in innovative companies, and to fund nest eggs for retirement.

Visible vs. invisible jobs

Just as the industrial revolution destroyed existing jobs to create new and previously unconceived jobs, imports destroy existing jobs to create new jobs. However, while the job destruction is visible, the job creation is largely invisible. American industries that export to China can clearly see benefits of trade. It's much less likely that U.S. electrical engineers, homebuilders, or doctors know that the money Americans save on imported clothing allows them to purchase more software, housing, and medical services.

The seemingly complex subject of international trade boils down to one simple issue: who decides how you spend your money—you, based on your own judgment, or a politician in Washington, D.C.? When you're in control, you can choose to buy American if you like. But when politicians are in control, they can force you to protect existing jobs at the expense of job creation. According to one recent estimate, trade barriers cost Americans $70 billion every year.

> *Trade is simply two or more parties getting together to obtain the best deal possible, whether it's you and your supermarket or a Caribbean sugar grower and a U.S. candy maker.*

Underwear vs. software

Protectionist trade regulations benefit politically powerful industries at the expense of rising living standards and better jobs for our children and grandchildren. The government's trade regulations encourage Americans to produce underwear instead of software, sugar instead of semiconductors, peanuts instead of pacemakers, milk instead of microchips.

Economist Walter Williams summed up the case for free trade in plain English: "[T]rade is simply two or more parties getting together to obtain the best deal possible, whether it's you and your supermarket or a Caribbean sugar grower and a U.S. candy maker. Tariffs, quotas and other trade barriers result when powerful groups use political muscle against unorganized buyers. They 'protect' sellers from competition and prevent you from buying what you want. Voluntary, peaceful exchange . . . is a blessing."

The next time someone promises to "protect" America from imports, ask yourself who you trust to make your buying decisions: you, or politicians in Washington, D.C. If you trust yourself more than the politicians, you're a free trader at heart. Don't let the New Luddites convince you that you're on the wrong path.

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